

Message Text

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C O N F I D E N T I A L LONDON 09005

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, UK

SUBJECT: DISCUSSIONS IN OECD EPC RESTRICTED SESSION

JUNE 16 OF U.S. PROPOSAL FOR GROWTH STUDY

REF: STATE 1133569

SUMMARY: UK IS SKEPTICAL ABOUT U.S. PROPOSAL FOR GROWTH STUDY. IT CONSIDERS THAT WP-2 SHOULD REVIEW THE PROPOSAL. SEE HOW FAR IT GOES BEYOND WP-2 MANDATE AND CONSIDER POSSIBILITY OF ENLARGING WP-2'S MANDATE, IF NECESSARY, TO DO THE WORK. UK IS DOUBTFUL IF ANY MEANINGFUL WORK CAN BE UNDERTAKEN UNTIL AFTER THE HOLIDAY SEASON AND RAISED SEVERAL QUESTIONS ABOUT THE LOGISTICS BEHIND THE US PROPOSALS
END SUMMARY.

1. FINANCIAL ATTACHE CALLED ON SIR DOUGLAS WASS, PERMANENT SECRETARY, H.M. TREASURY, AND SIR BRYAN HOPKIN, CHIEF ECONOMIC ADVISER, H.M. TREASURY, WHO ARE THE TWO SENIOR
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UK DELEGATES TO EPC. THEY WILL BOTH BE IN PARIS NEXT

WEEK. UK VIEWS WERE SOUGHT ON U.S. POSITION IN REFTTEL; DURING ELABORATION FINANCIAL ATTACHE REVIEWED TEXT OF SECRETARY KISSINGER'S SPEECH THAT DEALT WITH LONGER TERM GROWTH STRATEGIES AND ESTABLISHMENT SPECIAL GROUP OF ECONOMISTS.

2. SIR DOUGLAS WASS VIEWED THE PROPOSAL SKEPTICALLY. HE SAID UK WANTS TO BE HELPFUL TO US SUGGESTIONS BUT HE QUESTIONED THE MOTIVES THAT LIE BEHIND SETTING UP THE SPECIAL GROUP. WASS THINKS WP-2 CAN DO THE JOB AND HAS THE MANDATE TO DO IT. WHAT CAN THE SPECIAL GROUP DO THAT WP-2 CANNOT? UK DOES NOT WANT TO MULTIPLY THE NUMBER OF STUDIES UNDER WAY. PROCEDURALLY, WASS SUGGESTED THAT WP-2 SHOULD BE ASKED TO REVIEW SECRETARY KISSINGER'S PROPOSALS AND THE OECD SECRETARIAT'S THINKING TO JUDGE HOW FAR THE PROPOSALS GO BEYOND THE CURRENT WORK AND MANDATE OF WP-2.

3. WASS WAS NOT SURE WHETHER THE INFLATIONARY ASPECTS OF GROWTH ARE INCLUDED IN THE EXISTING MANDATE BUT PRESUMABLY THE MANDATE COULD BE EXPANDED. WP-2 COULD BE ASKED TO REVIEW THE PROPOSALS AS QUICKLY AS POSSIBLE. EVEN IF A NEED FOR A SPECIAL GROUP DOES EXIST, WASS DID NOT THINK MEANINGFUL WORK COULD BE BEGUN UNTIL AFTER THE SUMMER HOLIDAYS.

4. WASS ASKED SPECIFICALLY IF THIS SPECIAL GROUP OF ECONOMISTS WOULD BE DEVOTING THEIR FULL TIME, HALF TIME, OR A LESSER PERCENTAGE TO THE WORK. HE ASKED WHO WOULD PAY THEM, HOW MUCH OECD STAFFING INPUT WOULD BE NECESSARY TO SUPPORT THEM AND WHAT EFFECTS THIS WOULD HAVE ON THE OECD BUDGET. HE DOUBTED THAT THE GROUP COULD IN PRACTICE BE INDEPENDENT OF NATIONAL GOVERNMENTS, QUERYING IF A CHAIRMAN NOMINATED BY THE U.S. GOVERNMENT WOULD BE CONSIDERED INDEPENDENT BY THE OTHERS. SIR BRYAN HOPKIN ADDED HE DID NOT LIKE THE CONCEPT OF MIXED GOVERNMENT-PRIVATE MEMBERSHIP AND ALSO QUESTIONED HOW INDEPENDENT THE GROUP WOULD BE FROM VARIOUS NATIONAL POLICIES. IF SECRETARY VAN LENNEP IS GIVEN A FREE HAND IN CHOOSING THE ECONOMISTS WITHOUT INFLUENCE BY MEMBER GOVERNMENTS, THIS COULD INCREASE BELIEF IN THE INDEPENDENCE OF THE DISTIN-

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GUISHED ECONOMISTS. BOTH WASS AND HOPKIN WONDERED IF IT WOULD BE POSSIBLE TO FIND EMINENT INDIVIDUALS AT SUCH SHORT NOTICE THAT THEY COULD BEGIN WORK AS EARLY AS JULY.

5. WASS SAID HE HAD NO IDEA WHO THE UK MIGHT SUGGEST FROM ITS NATIVE ECONOMISTS TO BE CONSIDERED FOR MEMBERSHIP IN THE GROUP, IF ONE IS EVENTUALLY FORMED.

6. COMMENT: U.S. DELEGATE AT JUNE 16 BUREAU MEETING
WILL HAVE TO DO A MAJOR SELLING JOB ON THE BRITISH.

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